The Impact of Social Capital, Managerial Human Capital and Managerial Knowledge Structure on Firm Performance

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ABSTRACT
This article aims to examine the relationships between external and internal social capital, managerial human capital, and managerial knowledge structures, respectively. It also examines the effect of managerial human capital and managerial knowledge structures on firm performance in the telecommunications sector in Jordan. A questionnaire was distributed to 250 managers in the telecommunications sector in Jordan. Utilizing structural equation modeling, it was found that external social capital has a positive significant effect on internal social capital and managerial human capital. Internal social capital has positively and significantly affected managerial knowledge structures. Furthermore, both managerial human capital and managerial knowledge structure had affected firm performance positively. As technology is expanding in this sector, relevant knowledge and information is becoming a source of competitive advantage, thus managers in this sector should build beneficial ties that might enhance human resources’ capabilities that benefit the decision-making processes.

KEYWORDS
External Social Capital, Firm Performance, Internal Social Capital, Managerial Human Capital, Managerial Knowledge Structure

INTRODUCTION
Organizations are social entities in nature, established to serve and fulfill the needs of human beings, as they spend their life cycle in different interrelated social networks within organizations. Social capital concept has been the focus of academicians and practitioners in different disciplines such as economics, sociology, and education (Pena-López and Sánchez-Santos, 2017). It is also considered a major source for empowering organizations in the organizational theory literature through focusing on the interrelationships between individuals of a network to enhance firms’ performance (Yana and Guana, 2018; Dost and Badir, 2019). Creating a sustainable competitive advantage requires organizations to focus on the internal and external networking between members of organizations (Appan et al., 2017).

Although, social capital dimensions are still debatable in the literature (Easmon et al., 2019), researchers (Thompson, 2018; Subramony et al., 2018) have agreed on specific social capital dimensions such as: availability of resources, connections and features to make individuals interact socially within organizational context to enhance firms’ performance (Chang and Chen, 2014).

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This agreement however, implies that two dimensions of social capital (internal social capital and external social capital) are considered a vital source of information through interrelationships and connections that might yield to a sustainable competitive advantage of organizations (Wright et al., 2011; Dost and Badir, 2019; Mostafiz et al., 2019a). Internal social capital focuses on the formal and informal relations that individually or collectively exist among the CEOs, managers, heads of departments, and employees across different departments and functions within organizations (Adler and Kwon, 2002). With respect to the scope of the organizational behavior that covers concepts such as motivation, leadership style, and personality (Daft, 2010), it has been argued that internal social capital is concerned with cognitive and emotional differences among people within organizations. This argument had made researchers (Felício et al., 2014; Handoko et al. 2018; Sözbilir, 2018) to argue that managing internal social capital successfully yields productive resources that affect leadership styles, job involvement, job satisfaction and loyalty. Meanwhile, external social capital focuses on external networking of members of organizations. Such networking provides organizations with relevant information to improve the decision-making processes and outcomes (Ryu, 2017). Through the mutual relationships between individuals, organizations could benefit from external social capital in gaining knowledge and experience by managers and employees which can be used interchangeably. These relationships also enhance employees and managers collaborations which yield to identifying opportunities related to their work environment (Galli, 2016). From an academic perspective, the research on social capital theory has been intensive in the organizational and behavioral studies, however, this theory still needs more investigations as social capital concept is introduced and developed as a multidimensional construct that interacts with different disciplines in the theory of organizations. This research is also considered an essential aspect for organizations to enhance performance and societies to grow economically; however, empirical research has been relatively unsuccessful in confirming such relations (Westlund and Adam, 2010).

The role of knowledge, as an exchange tool between organizations, is considered extremely important to keep organizations in pace with the intensive competition in its marketplaces (Longoni et al., 2019). Managers should utilize and manage knowledge as a strategic asset to make decisions (Ployhart and Moliterno, 2011). Thus, managerial knowledge structure, at the individual level, would be used by organizations to develop manager’s capabilities, skills and competencies through relying on both internal and external social capitals for structuring knowledge which ultimately affect firms’ performance positively. Moreover, there is a conscious agreement between researchers on the critical resources including skills, experiences, knowledge, abilities, ideas and capabilities needed by both employee and managers to compete within the organizational interests (Yana and Guana, 2018). This has resulted in embedding the concept of managerial human capital in the strategic management literature as the resource-based view that places an emphasis on the role of the distinctive competencies allowing organizations to better differentiate its products and/or services to gain a competitive advantage (Turrini et al., 2010; Li et al., 2019). Managerial human capital relies on skills and capabilities of individuals, which make them more productive and responsible for achieving their targets, thus, increasing their abilities to utilize a firms’ resources effectively to enhance firms’ performance and growth (Basit and Medase, 2019; Mostafiz et al., 2019b).

As the literature on social capital has expanded in terms of number of aspects and definitions, researchers (Adler and Kwon, 2002; Houghton et al., 2009; Yana and Guana, 2018) have argued that studying the social capital dimensions independently would weakness the research design of studies, however, they recommended that future studies should include the external social capital “bridging” and the internal social capital “bonding” simultaneously. Moreover, the influence of social capital dimensions does not only contribute to employees and managers’ ties, but also to the networking of the whole organization. Therefore, more networking organizations can reach will rely on the level of managerial human capital employees and managers have. This association would result in a better development of managerial knowledge structure leading to a better firms’ performance (Subramony et al., 2018). In addition, the relationship between social capital dimensions and human resource
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